

Message Text

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ACTION EB-07

INFO OCT-01 ARA-10 ISO-00 AGR-10 CEA-01 CIAE-00 COME-00

DODE-00 FRB-01 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00

NSC-05 PA-02 AID-05 CIEP-02 SS-15 STR-04 TAR-01

TRSE-00 USIA-15 PRS-01 SP-02 OMB-01 FEA-01 OPIC-06

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FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC 8527

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EO 11652: N/A

TAGS: EFIN, EIND, EINV, JM

SUBJECT: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REF: STATE 165596 AND PREVIOUS

PRI.E MINISTER MANLEY HAS RECENTLY DECLARED HIS GOVERNMENT'S
COMMITMENT TO A "MIXED ECONOMY" UNDER A SOCIALIST SYSTEM.
DEVELOPMENT OF HEALTH, EDUCATION, HOUSING AND BASIC NUTRITION
SECTORS ARE TO BE EXCLUSIVE PRESERVES OF THE GOVERNMENT.
CRITICAL AREAS SUCH AS INFRASTRUCTURE, PUBLIC UTILITIES,
MINERAL RESOURCES (BAUXITE, ALUMINA) AND FINANCIAL INSTITUTIONS
(BANKS, INSURANCE) WILL CONTINUE TO BE REGULATED AND GOVERNMENT
RESERVES THE RIGHT TO ACQUIRE CONTROLLING INTEREST IN THESE
OR OTHER IMPORTANT COMMODITY/LABOR-INTENSIVE INDUSTRIES SUCH
AS FOOD PROCESSING AND CEMENT. THE ROLE OF THE PRIVATE SECTOR,
WHICH IS TO OPERATE WITHIN GOVERNMENT REGULATIONS WITH DUE
REGARD FOR THE COMMUNITY AND WORKERS, WILL BE TO MAKE PROFITS
COMMENSURATE WITH SKILLS AND MONEY, INVEST IN AREAS WHERE
SPECIAL SKILLS ARE NEEDED TO PROVIDE REASONABLY PRICED GOODS,
AND TO ALLOW FOR WORKER PARTICIPATION IN CONTROL AND DECISION
MAKING AT ALL LEVELS OF THE ECONOMY. A GOVERNMENT ADVISORY
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COMMITTEE IS PLANNING STRATEGY TO IMPLEMENT WHAT WOULD LEAD

TO FULL DISCLOSURE OF COMPANY ACCOUNTS, WORKERS PARTICIPATION
IN MANAGEMENT AND POLICY DECISIONS, AND
WORKER ACQUISITION OF OWNERSHIP SHARES

THE GOJ PREFERS TO WORK ON A JOINT VENTURE BASIS WITH DIRECT
FOREIGN INVESTMENT. APART FROM CERTAIN SELECT INDUSTRIES
IN WHICH IT HAS OR WILL OBTAIN MAJORITY OWNERSHIP, THE GOJ
BELIEVES THAT EQUITY IN JOINT VENTURES BETWEEN ITSELF AND/OR
THE PRIVATE SECTOR WITH DIRECT FOREIGN INVESTMENT IS NEGOTIABLE
ON AN AD HOC BASIS. THE GOJ ENCOURAGES THE USE OF LOCAL RAW
MATERIALS, LAND, AND LABOR MELDED WITH FOREIGN CAPITAL, EQUIPMENT,
AND TECHNOLOGY. FOR LABOR-INTENSIVE INDUSTRIES, EITHER WHOLLY-
EXPORT ORIENTED OR IMPORT SUBSTITUTION, THE JAMAICAN INDUSTRIAL
DEVELOPMENT CORPORATION OFFERS FISCAL INCENTIVES AND PROTECTION.
EXPORT MARKETS INCLUDE CARICOM AND POSSIBLY THE EEC,
OPENED UP UNDER THE RECENT LOME AGREEMENT

IN 1974-75, THE OVERALL ECONOMIC SITUATION IN JAMAICA
DETERIORATED. DUE TO UNCERTAINTY CAUSED BY GOVERNMENT
PRONOUNCEMENTS, THE PRIVATE SECTOR HAS CURTAILED EXPANSION
PLANS AND FOREIGN INVESTMENT HAS DWINDLED TO A TRICKLE. SHORT-
FALLS IN ANTICIPATED REVENUE FROM TRADITIONAL FOREIGN EXCHANGE
EARNERS SUCH AS BAUXITE/ALUMINA, TOURISM, AND BANANAS, HAVE
STRAINED THE ECONOMY AGAINST A BACKGROUND OF HIGH INFLATION,
UNEMPLOYMENT, AND CONTINUED CRIME. MANUFACTURING OPERATIONS ARE
HAMSTRUNG BY WILDCAT STRIKES, LOW PRODUCTIVITY, AND EMIGRATION
OF MIDDLE MANAGEMENT. CONSEQUENTLY, A LARGE BUDGET DEFICIT
AND A GROWING FOREIGN EXCHANGE SHORTAGE HAVE EMERGED AS MAJOR
OBSTACLES TO ECONOMIC STABILITY

TO COMBAT THESE PROBLEMS, THE MANLEY GOVERNMENT IS EXPECTED
TO ANNOUNCE AN ANTI-INFLATION PACKAGE IN LATE AUGUST.
GREATER IMPORT RESTRICTIONS AS WELL AS PRICE/WAGE
CONTROL GUIDELINES ARE ANTICIPATED

INVESTMENT STATISTICS WILL BE CABLED SEPTTEL. GERARD

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